

DAVID P. CREAL, CPA

Review Report

QUALITY CONTROL REVIEW

For the CPA's Audit of
Wiseburn Elementary School District
for the Fiscal Year Ended June 30, 2002



STEVE WESTLY
California State Controller

November 2003



STEVE WESTLY
California State Controller

November 12, 2003

David P. Creal, CPA
13845 Hawthorne Boulevard
Hawthorne, CA 90250

Dear Mr. Creal:

The State Controller's Office has completed a quality control review of David P. Creal, CPA. We reviewed the audit working papers for your audit of Wiseburn Elementary School District for the fiscal year ended June 30, 2002.

A draft report was issued on September 10, 2003. Your response to the draft report is included in this final report.

If you have any questions, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,


WALTER BARNES
Chief Deputy Controller, Finance

WB:ams/jj

cc: Dr. Darline Robles, Superintendent
Los Angeles County Office of Education
Dr. Don Brann, District Superintendent
Wiseburn Elementary School District
Charles A. Pillsbury
Department of Finance

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Attachment—CPA’s Response to Draft Report

Review Report

Summary

The State Controller's Office (SCO) has completed a quality control review of the audit working papers for an audit performed by David P. Creal, CPA, of the Wiseburn Elementary School District for the fiscal year ended June 30, 2002 (FY 2001-02).

The audit referred to above was performed in accordance with the majority of the standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, often referred to as generally accepted governmental auditing standards (GAGAS); generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO. However, the SCO reviewers noted that there was no internal quality control system in place and an external quality control review was not performed.

Background

Any governmental unit subject to a single audit must have the audit performed in accordance with the standards referred to in this report. According to OMB Circular A-133, the auditor's work is subject to a quality control review at the discretion of an agency granted cognizant or oversight status by the federal funding agency. In addition, *Education Code* Section 14504.2 authorizes the SCO to perform quality control reviews of working papers for audits of K-12 local educational agencies to determine whether audits are performed in accordance with U.S. General Accounting Office standards for financial and compliance audits.

David P. Creal, CPA, is a certified public accountant, with an office in Hawthorne, California. The CPA has been the independent auditor for Wiseburn Elementary School District since FY 1994-95. The audit of Wiseburn Elementary School District was the only local educational agency audit performed by the CPA during FY 2001-02. During FY 2001-02, the district operated four elementary schools and reported approximately 1,760 average daily attendance (ADA) for the purpose of state funding.

Objectives, Scope, and Methodology

The general objectives of the quality control review were to determine whether this audit was conducted in compliance with:

- GAGAS
- GAAS
- K-12 Audit Guide
- OMB Circular A-133

The quality control review was conducted at the office of David P. Creal, CPA. The SCO reviewers compared the audit work performed by the CPA, as documented in the working papers, with the standards stated in the general objectives.

Conclusion

The audit referred to above was performed in accordance with the majority of the standards and requirements set forth in GAGAS, GAAS, OMB Circular A-133, and the K-12 Audit Guide. However, the SCO reviewers noted the exception discussed in the Finding and Recommendation section of this report.

This report is applicable solely to the audit working papers referred to above and is not intended to pertain to any other work of David P. Creal, CPA.

Views of Responsible Official

The SCO issued a draft report on September 10, 2003. Mr. Creal responded by the letter dated October 15, 2003, generally agreeing with the review results. The response is included as the Attachment in this final report.

Restricted Use

This report is intended solely for the information and use of the specified parties; it is not intended to be and should not be used for any other purpose. This restriction is not meant to limit distribution of the report, which is a matter of public record.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

Finding and Recommendation

General

The Single Audit Act and the *Standards and Procedures for Audits of K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO, require audits to be performed in accordance with generally accepted auditing standards (GAAS). These standards deal with the quality of the audits performed by the independent auditor and have been approved and adopted by the American Institute of Certified Public Accountants (AICPA). GAAS is divided into three areas: (1) general standards; (2) fieldwork standards; and (3) reporting standards. The three areas are divided into ten specific standards. In addition to GAAS, auditors of governmental entities must also perform audits in accordance with generally accepted government auditing standards (GAGAS), which expands the GAAS standards in several areas.

In the course of this quality control review, the SCO reviewer found that David P. Creal, CPA, did not comply with one GAGAS standard.

Noncompliance with Generally Accepted Government Auditing Standards (GAGAS)

FINDING— Quality Control

The SCO reviewer noted that there was no internal quality control system in place and that an external quality control review was not performed on the CPA's audit of the district.

GAGAS (Yellow Book) Section 3.31 states:

Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place and undergo an external quality control review.

Section 316 of the K-12 Audit Guide states:

Audit organizations performing government audits are responsible for having an external quality control review at least once every three years. The quality control review should determine that the organization has a functioning internal control system to ensure that applicable auditing standards are being followed on audit engagements, including governmental audits. Reports resulting from the external quality control review should be made available to oversight bodies and to auditors using the work of the audit organization.

Recommendation

The CPA should comply with the quality control standard as set forth in GAGAS 3.31 and the K-12 Audit Guide.

**Attachment—
CPA's Response to Draft Report**

DAVID P. CREAL
Certified Public Accountant
13845 Hawthorne Blvd.
Hawthorne, CA 90250
PH: (310) 978-8757
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October 15, 2003

Casandra Moore-Hudnall
Chief Financial Audits Bureau
California State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Ms. Moore-Hudnall:

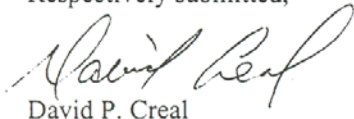
This letter is in response to the letter of September 10, 2003 from the California State Controller's Office regarding the recent Quality Control Review of my audit of the Wiseburn School District for the fiscal year ended June 30, 2002. The Quality Control Review states that the reviewers noted that an internal quality control system was not in place and an external quality control review was not performed.

I felt that I applied the appropriate internal quality control by using AICPA publications, especially the AICPA Audit and Accounting Manual and the Standards and Procedures for Audits of California K-12 Local Educational Agencies. Over the years I have also consulted with the State Controllers office, namely Victoria Uyeada, on certain difficult issues.

I will admit that the sole practitioner can be at a disadvantage in the quality control area if only in the documenting aspect. I will try to be aware of this in the future and improve documentation. Additional checklists may be utilized for this.

Regarding the external quality review, I will be arranging for this.

Respectively submitted,



David P. Creal

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<http://www.sco.ca.gov>